

Message Text

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S E C R E T SECTION 1 OF 2 KINSHASA 8512

EXDIS

E.O. 11652: GDS
TAGS: PEPR, EFIN, ECON, CG
SUBJECT: STATUS OF REFORM IMPLEMENTATION IN ZAIRE

1. SUMMARY: SIX WEEKS AFTER OUR DEMARCHES AND MID-WAY BETWEEN THE BRUSSELS DONORS' CONFERENCES, MOBUTU'S IMPLEMENTATION OF REFORMS PRESENTS A MIXED PICTURE. IMPROVEMENT OF RELATIONS WITH ANGOLA HAS PROCEEDED FASTER THAN WE EXPECTED. ECONOMIC AND FINANCIAL REFORMS ARE SO FAR PROCEEDING REASONABLY ON SCHEDULE. SOME STEPS HAVE BEEN TAKEN TOWARD NATIONAL RECONCILIATION, NOTABLY AMNESTY FOR SOME CIVILIANS INCLUDING FORMER FOREIGN MINISTER NGUZA. NOT MUCH HAS YET BEEN DONE TO REINTEGRATE SHABA INTO THE BODY POLITIC, ALTHOUGH ACTION IN THIS AREA MAY BE FACILITATED BY NORMALIZATION WITH ANGOLA INCLUDING A REDUCTION IN THE KATANGAN GENDARMES' CAPACITY TO THREATEN SHABAN SECURITY. MEANWHILE, PROGRESS IS LAGGING IN RESTRUCTURING FAZ AND CRACKING DOWN SERIOUSLY ON CORRUPTION. WE ARE MODERATELY ENCOURAGED BY SOME OF STEPS MOBUTU HAS TAKEN TO DATE AND CAUTIOUSLY OPTIMISTIC THAT MORE WILL COME. THIS VIEW IS GENERALLY SHARED BY OTHER KINSHASA REPS OF PARIS FIVE. HOWEVER, IT IS

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EVIDENT THAT COLLECTIVE PRESSURE WILL HAVE TO BE MAINTAINED IN VIEW OF THE VERY LONG WAY MOBUTU STILL HAS TO GO. END SUMMARY.

2. A LITTLE OVER SIX WEEKS HAVE PASSED SINCE WE PUT MOBUTU ON NOTICE REGARDING THE NEED FOR WIDE-RANGING REFORMS IF ZAIRE IS TO BENEFIT FROM OUR CONTINUING ASSISTANCE. DESPITE THE BREVITY OF THIS PERIOD, IT IS NOT TOO EARLY TO TAKE AT LEAST A PRELIMINARY

LOOK AT WHAT HAS AND HAS NOT BEEN DONE TO DATE. IN MAKING OUR ASSESSMENT, WE HAVE USED AS POINTS OF REFERENCE THE MAJOR ECONOMIC AND POLITICAL REFORMS PUT FORTH BY THE PARIS FIVE IN THEIR DEMARCHES AND IN PRESIDENT CARTER'S LETTER OF JUNE 11. WE HAVE ALSO INCLUDED THE SHORT-TERM FINANCIAL REFORMS PROPOSED BOTH IN POINT SEVEN OF THE BRUSSELS CONFERENCE CONCLUSIONS AND UNILATERALLY BY OUR DELEGATION. FINALLY, WE HAVE TRIED TO BEAR IN MIND THAT SOME OF THE REFORMS ARE NECESSARILY LONG-TERM IN NATURE AND THAT THEREFORE THE MOST WE CAN EXPECT AT THIS RELATIVELY EARLY DATE ARE EITHER PREPARATIONS FOR OR A START ON THEIR IMPLEMENTATION. THIS IS THE WAY WE SEE THE SITUATION MID-WAY BETWEEN THE TWO BRUSSELS CONFERENCEES.

3. ECONOMIC/FINANCIAL REFORMS:

A. NEW STABILIZATION PROGRAM. THE GOZ SEEMS TO BE MOVING AHEAD REASONABLY ON SCHEDULE IN DEVELOPING A NEW PROGRAM. FOREIGN EXPERTS HAVE BEEN CALLED IN TO HELP WITH PREPARATIONS. NEGOTIATIONS HAVE BEEN SCHEDULED WITH THE IMF IN MID-AUGUST, WITH CONCLUSION OF AN AGREEMENT ANTICIPATED BEFORE THE NEXT MEETING OF DONORS AT BRUSSELS IN OCTOBER. SOME PROBLEMS WILL UNDOUBTEDLY ARISE IN WORKING OUT AN AGREEMENT; BUT MOBUTU SEEMS TO UNDERSTAND THE CENTRAL IMPORTANCE OF THIS REFORM AND REPORTEDLY HAS ALREADY AGREED TO THE GENERAL GUIDELINES OF A NEW PROGRAM BASED ON PREVIOUS DISCUSSIONS WITH THE IMF.

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B. IMPROVED FINANCIAL MANAGEMENT. THE PLACEMENT OF IMF-SPONSORED FOREIGN EXPERTS IN THE CENTRAL BANK APPEARS TO BE ON TRACK. BLUMENTHAL, THE BANK'S "FIRST DIRECTOR" WHO WILL EXERCISE CONTROL OVER FOREIGN EXCHANGE, IS STILL SCHEDULED TO ARRIVE AUGUST 14 TOGETHER WITH THREE OF HIS SIX-MAN TEAM. PROGRESS TO DATE IN BRINGING EXPATRIATES INTO THE FINANCE DEPARTMENT HAS BEEN SLOWER. NEGOTIATIONS FOR NAMING AN EXPATRIATE "ORDONNATEUR" IN THAT DEPARTMENT ARE CONTINUING, WITH FIRST THE WORLD BANK AND APPARENTLY NOW THE UNDP BEING ASKED FOR HELP. WHILE THE FRENCH AND BELGIANS SAY THEY REMAIN COMMITTED TO PROVIDE EXPERTS FOR THE INSPECTION DES FINANCES (PARTICULARLY FOR TAX COLLECTION) AND THE CUSTOMS SERVICE, RESPECTIVELY, THE FRENCH WANT THE "ORDONNATEUR" TO COME ON BOARD FIRST, AND THE BELGIANS ADMIT TO HAVING SOME DIFFICULTY LINING UP QUALIFIED TECHNICIANS. HENCE THE ZAIRIANS' CLAIMS THAT THEY ARE NOT RESPONSIBLE FOR THE DELAYS IN THESE TWO AREAS SEEM TO HAVE SOME VALIDITY.

C. ESTABLISHMENT OF FOREIGN EXCHANGE BUDGET. IN RESPONSE TO OUR REQUEST, CENTRAL BANK GOVERNOR BOFOSSA HAS PROVIDED THE EMBASSY WITH GENERAL FIGURES ON FX RECEIPTS AND EXPENDITURES FOR THE THREE-MONTH PERIOD JULY-SEPTEMBER, AND WITH A MORE DETAILED BREAKDOWN FOR JULY WITH THE PROMISE OF SIMILAR INFORMATION FOR

AUGUST AND SEPTEMBER AS IT BECOMES AVAILABLE. IT IS THE EMBASSY'S VIEW (SEPTTEL) THAT THIS INFORMATION MEETS OUR MINIMUM REQUIREMENTS FOR GOING AHEAD WITH THIS YEAR'S PL-480 PROGRAM. THE BANK'S CAPABILITY OF BUDGETING AND CONTROLLING FOREIGN EXCHANGE SHOULD IMPROVE WITH THE INTRODUCTION OF IMF EXPERTS THIS MONTH.

D. BETTER REPATRIATION OF FOREIGN EXCHANGE. BOFOSSA HAS OUTLINED TO US (KINSHASA 6814) STEPS BEING TAKEN BOTH TO RECOVER UNREPATRIATED FX IN THE PAST AND TO ASSURE GREATER REPATRIATION IN THE FUTURE. WHETHER THESE STEPS PROVE EFFECTIVE REMAINS TO BE SEEN. AGAIN, PROSPECTS FOR BETTER PERFORMANCE IN THIS AREA SHOULD IMPROVE AS IMF OFFICIALS MOVE INTO THE BANK.

E. SHIFT IN DEVELOPMENT PRIORITIES TOWARD AGRICULTURE.

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THERE HAVE BEEN FEW MAJOR STEPS IN THIS DIRECTION DURING THE PAST SIX WEEKS, ALTHOUGH THE GOZ HAS NOT WAVERED FROM ITS ESTABLISHED LINE THAT AGRICULTURE HAS TOP PRIORITY. A NEW CAPITAL INVESTMENT PLAN IS NOW BEING DEVELOPED JOINTLY BY THE GOZ AND AN IBRD MISSION NOW IN KINSHASA. THE PLAN WILL PLACE HEAVY STRESS ON AGRICULTURAL RECOVERY AND DEVELOPMENT, AND IS TO BE COMPLETED IN TIME FOR CONSIDERATION AT BRUSSELS IN OCTOBER AND BY THE CONSULTATIVE GROUP IN DECEMBER.

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ACTION SS-25

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AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL LUBUMBASHI

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EXDIS

4. POLITICAL REFORMS:

A. IMPROVED RELATIONS WITH ANGOLA. MOBUTU HAS BEEN MOST RESPONSIVE TO OUR ENTREATIES ON THIS POINT, WHICH IS OF VITAL INTEREST TO US. PROGRESS TOWARD NORMALIZATION HAS BEEN REMARKABLE, EXCEEDING OUR EXPECTATIONS. AS RECOMMENDED BY THE PARIS FIVE, HE HAS MADE EFFECTIVE USE OF AFRICAN MEDIATION, AND HE HAS TURNED TO THE OAU FOR SETTING UP A BORDER VERIFICATION COMMISSION. PROVIDING MEMORANDUM CAN BE MAINTAINED FOR SORTING OUT THE MANY OTHER BILATERAL PROBLEMS THAT REMAIN, PROSPECTS FOR IMPROVEMENT OF REGIONAL SECURITY ARE REASONABLY GOOD.

B. REINTEGRATION OF SHABA. SO FAR MOBUTU HAS APPROACHED THIS ISSUE WITH MUCH GREATER CAUTION. HIS ONLY MAJOR MOVE TO DATE HAS BEEN AMNESTY FOR ZAIRIANS TAKING REFUGE IN ANGOLA, WITH APPEALS TO THE UN AND OAU TO ASSIST IN THE REFUGEES' RETURN AND THEIR SECURITY ONCE HOME. THERE HAS BEEN TALK (AND REPORTEDLY SECRET

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RECOMMENDATIONS FROM THE POLITICAL BUREAU) OF ADDITIONAL STEPS TOWARD RECONCILIATION, INCLUDING APPOINTMENT OF MORE SHABANS TO HIGH GOZ POSITIONS. IF NORMALIZATION WITH ANGOLA IN FACT LEADS TO DISARMING KATANGAN GENDARMES AND SECURING THE BORDER, THE CONSEQUENT REDUCTION OF THE THREAT TO SHABA'S SECURITY SHOULD MAKE IT EASIER IN THE DAYS AHEAD FOR MOBUTU TO MOVE TOWARD RECONCILIATION INSTEAD OF PERPETUATING MILITARY OCCUPATION. EVEN THERE HOWEVER, RECONCILIATION IS BOUND TO BE A SLOW AND DIFFICULT PROCESS IN VIEW OF THE DEPTH OF MOBUTU'S SUSPICIONS ON THE ONE HAND AND OF THE SHABANS' GRIEVANCES ON THE OTHER.

C. RESTRUCTURING FAZ. MOBUTU HAS NOT YET MADE MUCH PROGRESS IN IMPLEMENTING HIS ANNOUNCED PLANS TO WHIP FAZ INTO A LEANER, MORE EFFECTIVE AND BETTER DISCIPLINED FORCE. CURRENT FOCUS IS ON BELGIAN AND FRENCH EFFORTS TO TRAIN COMMANDO BRIGADES, WHICH MOBUTU HOPES CAN START REPLACING THE PAN-AFRICAN FORCE IN SHABA BY THE END OF THE YEAR. A FEW, SPORADIC STEPS HAVE BEEN TAKEN RECENTLY TO CURB AND PUNISH MORE SEVERELY FAZ CORRUPTION AND HARASSMENT OF CIVILIANS. BUT THE BASIC PROBLEMS -- E.G., WEAK AND CORRUPT LEADERSHIP, POOR DISCIPLINE, FAILURE TO PAY TROOPS ADEQUATELY AND REGULARLY -- HAVE YET TO BE TACKLED. WE AND OTHER DONORS WILL HAVE TO CONTINUE PUSHING MOBUTU IN THIS IMPORTANT BUT OBVIOUSLY POLITICALLY DELICATE AREA OF REFORM.

D. DECENTRALIZATION. ALTHOUGH THERE IS SOME TALK OF NEW

STEPS BEING PLANNED IN THIS AREA, LITTLE HAS BEEN ACTIVELY ACCOMPLISHED IN RECENT WEEKS. DECISIONS LARGE AND SMALL REMAIN IN THE HANDS OF THE PRESIDENT, WITH THE PRIME MINISTER PLAYING NO PERCEPTIBLY INCREASED ROLE. THE LEGISLATIVE COUNCIL HAS AT TIMES BEEN SURPRISINGLY BOLD IN BRINGING PRESSURES ON MOBUTU, ALTHOUGH TO DATE ITS FUNCTIONS HAVE NOT BEEN ALLOWED TO EXPAND. NOR HAS THERE BEEN ANY RECENT PUSH TO ACCORD GREATER AUTHORITY TO THE REGIONAL ADMINISTRATIONS.

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E. HUMAN RIGHTS. SINCE OUR DEMARCHES THERE HAS BEEN SOME FORWARD MOVEMENT IN THIS AREA, ALTHOUGH THE PICUTRE REMAINS VERY MIXED. THERE HAS BEEN NO CONTINUATION OF THE PATTERN OF ARRESTS AND EXECUTIONS WE SAW DEVELOPING EARLIER IN THE YEAR (E.G. IDIOFA AND THE APRIL COUP PLOT TRIAL). THE AMNESTY ANNOUNCED IN JUNE FOR ZAIRIAN REFUGEES AND EXILES ABROAD HAS SINCE BEEN EXTENDED TO INCLUDE A NUMBER OF CIVILIANS DETAINED FOR POLITICAL REASONS INSIDE THE COUNTRY. THE RELEASE OF FORMER FOREIGN MINISTER NGUZA, APPARENTLY IN GOOD HEALTH AND AFTER SERVING LESS THAN A YEAR OF HIS LIFE SENTENCE, WAS A MAJOR STEP TAKEN FOLLOWING CONTINUED PRESSURE FROM ABROAD. OTHERS RELEASED INCLUDED SEVERAL ALLEGED PARTICIPANTS IN THE 1975 COUP PLOT AND AT LEAST ONE CONVICTED ONLY LAST APRIL FOR SIMILAR PLOTTING. ANOTHER ENCOURAGING DEVELOPMENT IS THE GOZ'S WILLINGNESS TO ALLOW THE ICRC TO FUNCTION IN SHABA (IT WAS NOT ALLOWED TO DO SO DURING LAST YEAR'S SHABA CRISIS) AND TO EXTEND ITS ACTIVITIES BEYOND EMERGENCY RELIEF TO INSPECTION OF PRISONS. ON THE OTHER HAND, AMNESTY HAS NOT YET BEEN APPLIED TO MILITARY AS WELL AS CIVILIAN PRISONERS (ALTHOUGH WE HAVE BEEN ASSURED BY THE GOZ THAT THIS WILL OCCUR IN DUE COURSE). NOR HAVE WE YET BEEN ABLE TO CONFIRM REPORTS THAT SOME OF THE SEVERAL HUNDRED FAZ OFFICERS DISMISSED FOLLOWING THE APRIL COUP PLOT TRAIL HAVE BEEN REINSTATED. MEANWHILE, A SIZABLE NUMBER OF CIVILIANS IN SHABA WERE PICKED UP FOLLOWING THE KOLWEZI ATTACK AND ARE STILL DETAINED FOR SECURITY REASONS. FINALLY, MOBUTU HAS YET TO FOLLOW UP IN ANY CONCERTED FASHION ON HIS PROMISE TO CRACK DOWN ON CORRUPTION. SOME IMPROVEMENTS MAY BE EXPECTED AS A RESULT OF STRENGTHENED CONTROLS OVER FOREIGN EXCHANGE AND OTHER FINANCIAL MANAGEMENT REFORMS. HOWEVER, WE WILL PROBABLY HAVE TO PURSUE THIS ISSUE FURTHER WITH MOBUTU WITH A VIEW TO INDUCING "DRAMATIC GESTURES" AS PROPOSED IN PRESIDENT CARTER'S LETTER, REALIZING, OF COURSE, BOTH THE ENORMITY AND POLITICAL SENSITIVITY OF THE PROBLEM.

4. CONCLUSION. AS IS THE CASE WITH ALMOST EVERYTHING IN ZAIRE, THE COMPOSITE PICTURE OF REFORM IMPLEMENTATION TO DATE IS NEITHER

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ALL BLACK NOR ALL WHITE. IN ONE VERY IMPORTANT AREA -- NORMALIZATION OF RELATIONS WITH ANGOLA -- PROGRESS HAS BEEN MUCH BETTER THAN EXPECTED. IN OTHER AREAS -- NOTABLY ECONOMIC AND FINANCIAL REFORMS -- IMPLEMENTATION IS ABOUT WHAT WE ANTICIPATED AT THIS EARLY STAGE. WHILE IN OTHERS -- REINTEGRATION OF SHABA, IMPROVEMENT OF FAZ AND THE ATTACK ON CORRUPTION -- PROGRESS IS LAGGING. WE ARE MODERATELY ENCOURAGED BY SOME OF THE MEASURES TAKEN TO DATE AND CAUTIOUSLY OPTIMISTIC THAT MORE WILL BE FORTHCOMING AS WE MOVE ON TOWARD THE BRUSSELS CONFERENCE. A NUMBER OF MY DIPLOMATIC COLLEAGUES HERE -- NOTABLY THE FRENCH, GERMAN AND EVEN THE SKEPTICAL BRITISH AMBASSADOR -- SEEM TO SHARE THIS VIEW AND BELIEVE MOBUTU SHOULD BE GIVEN THE "ROOM TO BREATHE" HE HAS ASKED FOR DURING THIS INTERIM PERIOD. THERE IS NO QUESTION THAT MOBUTU KNOWS WHAT WE EXPECT OF HIM BEFORE THE OCTOBER BRUSSELS CONFERENCE, AND HE WILL PROBABLY TAKE AT LEAST INITIAL STEPS IN ALL OR MOST OF THE AREAS WE HAVE IDENTIFIED AS NEEDING ACTION. THERE IS OF COURSE THE RISK THAT FIRST STEPS MAY BE INTENDED AS THE ONLY STEPS, AND WE WILL HAVE TO MAINTAIN OUR PRESSURE FOR IMPLEMENTATION. OF EQUAL IMPORTANCE WILL BE CONVINCING OTHER DONORS TO KEEP UP PRESSURE AS WELL, FOR IN THE FINAL ANALYSIS OUR EFFORTS WILL BE EFFECTIVE ONLY TO THE EXTENT THAT A COMMON FRONT CAN BE PRESERVED.

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